

## Message Text

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ACTION PM-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ACDA-07 CIAE-00

INR-07 IO-13 L-03 NSAE-00 NSC-05 EB-07 NRC-05 OES-06

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USIE-00 ERDE-00 PA-01 PRS-01 /105 W

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O R 281105Z JUL 76

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC IMMEDIATE 6775

INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L ISLAMABAD 7703

E.O. 11652: GDS

TAGS: MARR, PARM, PK, CA

SUBJECT: PAK/CANADIAN NUCLEAR NEGOTIATIONS

REFERENCE: ISLAMABAD 7609

1. EMBOFF MET WITH CANADIAN EMBASSY FIRST SECRETARY STOCKWELL AND CANADIAN NEGOTIATOR FULFORD MORNING JULY 28 TO DISCUSS STATUS OF NUCLEAR NEGOTIATIONS WITH GOP. FULFORD SAID HE HAS HAD TWO MEETINGS WITH PAK NEGOTIATING TEAM, LEAD BY FOREIGN SECRETARY AGHA SHAHI AND COMPRISED OF PAEC AND MFA REPRESENTATIVES. SO FAR BOTH SIDES HAVE STATED THEIR POSITIONS AND FULFORD IS VERY PESSIMISTIC AGREEMENT CAN BE REACHED.

2. GOP TEAM HAS TAKEN FIRM STANT THAT REPROCESSING PLANT BUY IS FAIT ACCOMPLI AND GOP CANNOT GIVE UP THE PLANT. IT IS QUESTION OF "NATIONAL INTEGRITY" AND WOULD NOW BE POLITICALLY IMPOSSIBLE TO CANCEL BUY. PAK TEAMS WANTS TO NEGOTIATE ON BASIS OF DISCUSSIONS IN OTTAWA AND ATTEMPT TO RESOLVE OUTSTANDING ISSUES LEFT OVER FROM THOSE TALKS.

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3. FULFORD HAS TOLD PAK TEAM HE CAN INITIAL AGREEMENT

WHILE HE IS HERE ONLY IF GOP ACCEPTS AGREEMENT ALONG LINES OF FIRST OPTION DESCRIBED TO EMBOFF IN REFTEL. IN FURTHER DESCRIPTION OF THIS OPTION, FULFORD TOLD EMBOFF CANADA WILL GUARANTEE A TEN YEAR SUPPLY OF FUEL FOR KANUP IF GOP CANCELS REPROCESSING PLANT BUY. THE GUARANTEE WOULD LAPSE, HOWEVER, IF AT ANY TIME DURING TEN YEAR PERIOD PAKISTAN REVIVED PLANS TO ACQUIRE REPROCESSING PLANT. GOC WILL ALSO HELP PAKISTAN MEET ITS ENERGY REQUIREMENTS UTILIZING NON-NUCLEAR ENERGY SOURCES. (FULFORD WAS NOT TOO SPECIFIC ON WHAT THIS WOULD INVOLVE BUT IMPLIED CANADIAN ASSISTANCE TO PAKISTAN IN DEVELOPING ITS COAL AND HYDROELECTRIC RESOURCES.) GOP TEAM HAS SHOWN NO INTEREST IN THIS PROPOSAL. DCM CONSTABLE ALSO TOLD BY MFA DIRECTOR GENERAL (AMERICAS) TODAY THAT CANADIAN PROPOSAL WAS UNACCEPTABLE TO GOP.

4. OPTION THREE WAS ALSO DISCUSSED IN THE MEETINGS. IN FULLER EXPLANATION FULFORD SAID IF GOP WOULD NOT CANCEL REPROCESSING PLANT, THIS OPTION WOULD ENTAIL A TWO YEAR FUEL SUPPLY FOR KANUP IN EXCHANGE FOR LONDON SUPPLIER AGREEMENT LEVEL SAFEGUARDS ON KANUP. FULFORD HAS TOLD GOP TEAM THAT ALTHOUGH HE WOULD DISCUSS THIS POSSIBILITY, HE WILL NOT INITIAL AN AGREEMENT BASED ON THIS OPTION AND WOULD HAVE TO RETURN TO OTTAWA FOR FURTHER DISCUSSIONS ON SUCH A PROPOSAL. HE TOLD EMBOFF THAT IN ANY CASE PAK SIDE DOES NOT SEEM INTERESTED SINCE THIS OPTION WOULD ONLY GUARANTEE A TWO YEAR FUEL SUPPLY. SINCE CANADA NEEDS ABOUT ONE YEAR LEAD-TIME TO ARRANGE FOR FURTHER FUEL SUPPLIES THIS OPTION WOULD, IN EFFECT, GUARANTEE PAKISTAN ONLY ONE YEAR'S SUPPLY OF FUEL BEFORE A NEW AGREEMENT WOULD HAVE TO BE NEGOTIATED. OPTION TWO HAS NOT YET COME UP DURING DISCUSSIONS.

5. FULFORD CONFIRMED THAT IF KANUP CONTINUES TO OPERATE AT PRESENT RATE, FUEL SUPPLY WILL BE EXHAUSTED BY NEXT SUMMER. LACKING A NEW AGREEMENT, THE GOC HAS NOT YET BEGUN TO ATTEMPT TO ARRANGE A FOLLOW-ON SUPPLY FOR KANUP. HE NOTED, THEREFORE, THAT IF PAKISTAN DOES NOT FIND FUEL FOR KANUP IN THE NEAR FUTURE, GO WILL FACE EITHER A SHUT-DOWN OF KANUP NEXT SUMMER OR A REDUCED

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POWER OUTPUT WITH A LONGER LEAD TIME BEFORE PLANT HAS TO CLOSE.

6. ENROUTE TO PAKISTAN, FULFORD STOPPED IN PARIS AND DISCUSSED REPROCESSING ISSUE BRIEFLY WITH THE QUAI. FRENCH TOOK PREDICTABLE LINE THAT SALE HAD ALREADY BEEN CONSUMMATED AND IT WAS TOO LATE TO STOP IT. FULFORD WAS ALSO TOLD THAT AS SOON AS AGREEMENT WITH

PAKISTAN WAS SIGNED, GOF GAVE THE PAKS COMPLETE PLANS FOR THE REPROCESSING PLANT. SINCE THE PAKS HAVE PLANS IN HAND, FRENCH CANNOT NOW BACK OFF. FULFORD NOTED THAT EVEN IF THIS WAS TRUE, IT WAS HIS IMPRESSION THAT PLANT COULD NOT BE BUILT WITHOUT CONTINUED FRENCH TECHNICAL AND ENGINEERING COOPERATION. FULFORD ALSO THOUGHT THAT IF CANADA STOPPED SUPPLYING KANUP, FRENCH WOULD BE WILLING TO STEP IN AND SUPPLY FUEL. HE ASSUMED THIS WOULD TAKE CONSIDERABLE TIME, HOWEVER, BEFORE THE FRENCH COULD DETERMINE AND THEN MEET PAKISTANI NEEDS.

7. PAK/CANADIAN NEGOTIATING TEAM MEETING AGAIN AFTERNOON OF JULY 28. FULFORD SAID HE DOES NOT EXPECT TO STAY LONGER THAN END OF THIS WEEK AND HE STRONGLY BELIEVES HE WILL NOT REACH AGREEMENT WITH THE GOP. HE THOUGHT PAKS WILL DECIDE TO WAIT UNTIL THEY SEE HOW TALKS GO WITH SECRETARY KISSINGER BEFORE THEY RETURN TO CANADIANS FOR FURTHER DISCUSSIONS.

8. IN RESPONSE TO QUESTION FROM EMOFF, FULFORD SAID THAT ALTHOUGH PAK TEAM HAS NOT EXPLICITLY ACCUSED CANADIANS OF COLLUSION WITH US IN FORCING THEM TO GIVE UP REPROCESSING BUY, IT WAS OBVIOUS FROM DISCUSSIONS THAT PAKS BELIEVE WE AND GOC ARE COORDINATING OUR EFFORTS TO STOP REPROCESSING PLANT. STOCKWELL NOTED THAT IF PAKS HAVE THIS IMPRESSION, IT CERTAINLY DOES NOT CAUSE ANY PROBLEMS FOR THE CANADIANS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NUCLEAR COOPERATION PROGRAMS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ISLAMA07703  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760291-0890  
**From:** ISLAMABAD  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 143  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION PM  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 ISLAMABAD 7609  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 12 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <12 APR 2004 by greeneet>; APPROVED <13 APR 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PAK/CANADIAN NUCLEAR NEGOTIATIONS  
**TAGS:** MARR, PARM, PK, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006